Cuba file

Cuban Embargo

EXTENSION OF REMARKS
OF
HON. SEYMOUR HALPERN
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Tuesday, August 15, 1961

Mr. HALPERN. Mr. Speaker, H.R. 8689, which I introduced, calls for a complete embargo on goods to and from Cuba.

Earlier this year I called on President Kennedy to invoke a complete ban on Cuban imports and exports but to this day, Cuba is still doing business in many commodities with the United States. How ironic a situation, Mr. Speaker. How ridiculous, if it were not so tragic.

Ninety miles from our shores, Cuba, under the Castro regime, has become a Soviet satellite and its government has confiscated hundreds of millions of dollars worth of American property. Nevertheless, our Nation, acknowledged as the leader of the free world, continues to provide Dictator Castro with the cash which he desperately needs to maintain his antidemocratic, anti-U.S. regime. Time is long overdue for imposing and enforcing a firm embargo across the board to end this ridiculous and damaging contradiction.

In introducing this legislation I join my distinguished colleague, the gentleman from Florida, PAUL ROGERS, who has provided superb leadership in this Congress to effectuate such an embargo. I am privileged to associate myself with him as cosponsor of this legislation.

The bill would effect such an embargo by banning all interstate shipment of goods imported into the United States from Cuba, and all goods destined for export to Cuba. It now seems necessary for Congress to take strong action and end the continuous flow of American dollars to the Castro regime. This bill would prevent the interstate transportation of goods to or from Cuba and would end the outflow of more than $1 million per month that Cuba still receives from this trade. This measure would further ban goods shipped from any third country through the United States to or from Cuba.

There is no excuse, no justification for the continuation of trade with Cuba. It is time to resolve the present paradox of our Cuban policy. We have, on the one hand, withdrawn diplomatic relations, branded Castro's government as Communist, supported free Cubans in their efforts for liberation, and cut the importation of sugar from Cuba into the United States. Yet, we still allow many other Cuban imports into this country in exchange for U.S. dollars, foodstuffs, and many other items whose exportation can only bolster the Castro regime.

Surely this policy cannot continue if we expect to advance freedom at full speed in Cuba. Positive action is necessary to hasten Castro's downfall. Mr. Speaker, I proudly join my colleagues who are fighting for this objective and call upon the Congress to enact a complete trade embargo which would help end this tyranny.

Klamath's Sheriff of Old West Practices Modern Penology

EXTENSION OF REMARKS
OF
HON. AL ULLMAN
OF OREGON
IN THE HOUSE OF REPRESENTATIVES
Tuesday, August 15, 1961

Mr. ULLMAN. Mr. Speaker, Sheriff "Red" Britton of Klamath County, Oreg. has long been well known in our part of the country, both for the efficient administration of his office and for the unique museum and display maintained at the Klamath County Jail, which makes it a must for visitors to Klamath Falls. The Portland Reporter, in its August 7 edition, paid tribute to Sheriff Britton and it is a pleasure to call the article to my colleagues' attention:

KLAMATH'S SHERIFF OF OLD WEST PRACTICES MODERN PENOLOGY

(By Mary Ann Campbell)

KLAMATH FALLS.—Most law enforcement officers, in the tradition of the Royal Canadian Mounties, have to go out and get their man.

But Oregon has one sheriff whose job is greatly simplified because wanted men come to him.

This unusual sheriff who is sought out by criminals instead of the other way around is J. Murray "Red" Britton of Klamath County.

One such turned up at the sheriff's office on the second floor of the courthouse in Klamath Falls one day this spring and asked if Britton was looking for him.

"Heck, no," "Red" said, "What would I want with you?"

His visitor shrugged and left.

Twenty minutes later, Britton discovered he did indeed have a warrant for the man, on charges of contributing to the delinquency of a minor. City and State police began looking for the man, but "Red" assured them he'd be back.

He was right. The wanted man returned and again asked if the sheriff wasn't looking for him. This time, Britton told him he was indeed wanted and booked him.

Another man, charged with murder, drove his Thunderbird out to "Red's" house to give himself up. He arrived just as Red was sitting down to supper. Red invited him to join him, but the suspect had eaten, so he talked with the sheriff until the meal was finished. Then, the two men drove in their own cars to the county jail.

"Red" gets along well with his charges, both white men and Klamath Indians, because he encourages the men to work in their own trades or to develop trades while serving time in his jail.

Eddie Chiloquin, whose grandfather was the man the reservation town of Chiloquin was named after, has painted several pictures for the jail. His study of a buffalo hunt hangs in the jail office, his Indian horses are displayed over the piano in the small recreation room, and his religious paintings, copied from small Sunday school cards, hang in the hallways of each of the building's three floors.

A saddlemaker, Stephen Walcott, whose parole somehow got revoked this summer, spends his time in jail making saddles and repairing those used by the sheriff's mounted posse. He has made a magnificent black leather saddle with silver trimmings for use on special occasions and important parades. Financing for these projects largely comes out of "Red's" own pocket.

To provide the prisoners with reading material, "Red" has set up a small library of donated books, which contains such diverse titles as "Plutarch's Lives," "Chips Off the Old Benchley" and "Double Muscadine." There is a stack of back issues of the National Geographic, old school books and several Bibles, but more volumes would be welcomed.

Readers sit beside the bookshelf on a solid walnut bench made by "Red" in 1928 as a project for his eighth grade manual training class in Toppenish, Wash.

Because he believes the men in his care must keep some rights as human beings, "Red" has provided them with a television set in the recreation room and a subscription to the Klamath Falls Herald & News, the local daily. He also has a barber come in to give shaves and haircuts at prevailing union scale on certain days each week.

Britton is especially proud of the barber chair. It's 100 years old, and he found it in the town of Sprague River on the Klamath Reservation. Britton has had it restored, so it works as well as when it was brand new. He even has the original headrest with its paper roll to protect the customer's head.

In the evenings, he and such prisoners as have musical talent get together to play the violin, with "Red" providing terrific honky-tonk piano accompaniment. The piano is another item "off the reservation," as "Red" says. It's a four-pedal cabinet grand, made by Weser Bros., New York, and is probably close to the century mark also.

Outside the jail, "Red" and his charges maintain a little pioneer display, which originated during the Oregon Centennial in 1959. There are models of animals, an ox with marble eyes and a horse or two; a copy of an old-fashioned high-wheeled bicycle made by the prisoners, a model of a frontier fort and some old-style tombstones.

"Red" also has acquired the traces of the freight and passenger stagecoach that went between Klamath Falls and Lakeview many years ago. The garden is cared for by trusties, who are permitted to work outside without being under guard. Red believes in their word that they will not run away and can boast that he has never lost a prisoner since he took office on January 16, 1952.

His beliefs are also expressed in a sign hanging over the jail office.

"Our guests are human beings," it reads. "They are here as punishment, not for punishment."

This is a view prison organizations wish were held by more sheriffs throughout the country.

When a forest fire threatened large timber stands near Klamath Falls, Red took some of "my boys" out to help fight the blaze. During the firefighting some of the men were separated from the main group in the burning woods and made their way back to town on foot. State police picked one up on the road outside Klamath Falls and brought him to the sheriff's office, charging him with attempted escape.

"Red" hotly defended his prisoner.

"He wasn't escaping," he explained. "I let him out."

Odd though this statement sounds from a law enforcement officer, the system works. The man really was returning to the jail and "Red's" custody.

Temple University's Police Science and Administration Program

EXTENSION OF REMARKS
OF
HON. HERMAN TOLL
OF PENNSYLVANIA
IN THE HOUSE OF REPRESENTATIVES
Tuesday, August 15, 1961

Mr. TOLL. Mr. Speaker, I would like to bring to the attention of all Members

such change. Mutual institutions, like every other individual or group of taxpayers will never be heard to complain about the reduction of taxes, if it is done fairly and without discrimination.

We must not overlook that bank reserves serve a twofold purpose—one to provide liquidity and the other to assure solvency. (I ignore at this time the manipulation of reserve requirements by the Federal Reserve System for credit purposes, because that does not enter into the tax problem.)

The power to tax is the power to destroy. This committee, however, and this Congress, I am certain will never use that power in that manner.

But you will come close to doing that if you increase the taxes on mutual thrift organizations. Their liquidity, their solvency, their usefulness, depend on their ability to build up their reserves.

I beg of you not to engage in a strictly banking function of determining what is or is not a proper reserve through the guise of a tax measure.

I am not raising the jurisdictional question that this is a proper subject for hearings by the Banking and Currency Committee. I am pointing out that this question is not as it has been made to appear, a simple tax problem. It is not. It has much greater implications. Before you have any right to change this tax formula you must determine that the reserves of these institutions are high enough for safe and sound operation and that such reserves must not be permitted to increase at the same rate as at present. I say all the proof is to the contrary.

In 1951, Mr. Chairman, the House and the Senate considered this same proposal—to impose a corporate income tax on the mutual savings banks. It was felt then that the Korean emergency demanded that such a tax be imposed. We determined then, however, as I think we must determine now, that the proper functioning of the mutuals requires that they be allowed to accumulate reserves, by deduction from gross income, to protect depositors against loss. The Congress at that time made specific provision in section 593 of the Internal Revenue Code to safeguard this very function of the mutuals. It is this provision of the Code that you are being asked to review and change.

I have carefully analyzed the arguments pro and con advanced on this subject by the financial institutions. I am convinced that the inequalities that the commercial bankers attempt to establish add up to a straw man. If there should be a tax on the mutuals before they pay the net earnings to their shareholders and depositors, then the interest which commercial bankers pay on their thrift and time accounts should not be a deductible expense before arriving at the taxable income of the commercials.

If the administration and the commercial bankers are serious in their contention for equality we should impose upon the commercial banks the same requirements we impose upon the mutuals by requiring that time and savings accounts in the commercials may be invested only in the same investments permitted to the mutuals. Let us further require that for those funds, the commercials must carry the same reserves as are required of the mutuals. It appears to me that this would remove the inequality that the commercial bankers insist is present. Let us not overlook a real inequality that exists: the mutuals are required to pay for the use of almost every dollar with which they operate (at least 93 percent thereof), while the commercials are permitted to use 70 percent of their resources (that is their demand deposits) free of cost.

The commercial bankers will dispute that statement by saying that they render a service to the owners of their demand accounts which costs the bank money. The fact is that, with rare exception, any demand account that does not pay its own way by service charges or otherwise is very quickly closed out by the bank.

Furthermore, the mutuals can use only their depositors' and shareholders' money for investment and can create no checkbook money.

Commercial banks are constantly creating, by their loans, new checkbook money, which after deducting a reserve, they can lend out all over again.

Under present tax law, both mutuals and commercials are subject to the same normal tax and surtax; both are subject to the same rate; both may deduct operating expenses; both may deduct taxes paid to State and local governments; both may deduct interest paid to depositors; both may deduct additions to reserves for bad debts; and both compute their reserve deduction differently than other taxpayers.

Mutual savings banks have a provision for reserve additions which takes account of their special needs. Except upon liquidation, these reserves can only be used for losses. As already indicated, the commercials can use their reserves as the basis for new loans and the creation of new checkbook money.

Commercial banks also have a unique formula that enables them to base their deduction on losses substained 30 years ago.

A heavier tax on savings banks, which would in turn reduce interest rates to depositors and thus reduce total savings, would reduce funds for home financing in the years ahead—one of the very things we must avoid if we are not to negate the gains made in this area by the passage of the Housing Act of 1961.

A heavier tax on mutuals would reduce the reward for savings by reducing the interest rate paid to millions of savers. This would first penalize the saver of modest means who prefers to save in a specialized mutual thrift institution.

Tax equality arguments of the commercial bankers are fallacious. Commercial bank income tax payments to the Treasury result mainly from their very profitable earnings from short-term commercial lending. They use their savings and time accounts in the same manner as their demand money.

Mr. Chairman, I would like to suggest that the need, the use and the amount of reserves should be judged on individual merit—there is every reason not to equalize these requirements between commercial banks and mutual and savings institutions. It is my conviction that to do so would result in serious consequences to our economic stability. A sound thrift system is as essential to national security as is immediate Treasury revenue.

I said earlier that 70 percent of the operating funds of the commercial banks is cost free to them. The figures are quite interesting. I use the year 1960 throughout.

Total assets of all commercial banks was in excess of $282,800 million. Of that their capital assets, including surplus, undivided profits and total reserves, were $41,800 million. Their deposits were $213 billion.

Bear in mind that they are prohibited by law from paying any interest on their demand accounts and the maximum interest most of them are permitted to pay on time and savings accounts is 3 percent. The mutuals must pay dividends on the full amount of all of their accounts. The commercials use in their income earning operations all of their deposit moneys less only the amount that they are required to carry as reserves pursuant to either the Federal Reserve Act, if they are members of the Federal Reserve System, or of State law if they are not in the System.

In 1960 they paid dividends to their stockholders of $832 million, an average of 7.4 percent of their income. In the same year they paid $1,785 million as interest on their time and savings accounts. All of that interest was tax deductible as an expense of operation before they paid any taxes. They paid out for salaries and wages 25 percent of their income as against only 7 percent paid by savings banks.

On the other hand, the mutual savings banks had total deposits of $36 billion and the savings and loan associations had total deposits of $58 billion. All of these moneys of course belong to the depositors. The savings banks earned and paid dividends to their owners of slightly more than $1 billion, or an average of 3.49 percent. Savings banks' total surplus and reserves were only $3,600 million. Savings and loan total surplus and reserves were about $4 billion.

Savings banks, out of total income of $1,600 million paid out 67 percent in dividends to their depositors for a total of $1,073 million, while adding to their surplus and reserve accounts $168 million, or 10.5 percent.

The savings and loan associations paid out 57 percent of their earnings to their depositors.

It should be borne in mind that the commercial banks can be required by the banking authorities to increase their capital when their financial condition requires it. The only way a mutual can improve its capital position is by increasing its surplus and reserve by additions thereto out of earnings.

I most respectfully direct your attention to the political impact of increasing the tax on mutual thrift institutions and thereby reducing the income or return to the depositors and shareholders in these fine organizations.

There are almost 37 million depositors in the mutual savings banks of the country. There are more than 27 million shareholders or depositors in the mutual savings and loan associations of the country. There are over 12 million depositors or shareholders in mutual credit unions. This makes a total of well over 76 million accounts that will be affected by what you do here.

Certainly you should not do anything until you hear from the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation as to what they think are required as proper reserves and at what rate those reserves must increase to keep our thrift system sound.

Bear in mind that FDIC today has total assets to insure its accounts of only $1.84 for every $100 of insured accounts and the FSLIC has only 67 cents for every $100 of insured accounts.

The one sure test of the sufficiency of the reserves of both the savings banks and the savings and loan associations is this:

Whenever the Congress can safely repeal the FDIC uncontrolled borrowing power from the Treasury of $3 billion and that of FSLIC of three-fourths of a billion dollars, the two systems will have built up sufficient reserves of their own to assure safety, soundness, and liquidity. Until then, we must not tamper with their reserves or the rate of growth thereof.

For those who might be inclined to feel sorry for the poor commercial banks, may I suggest they read the item in the American Banker of August 7, 1961, headlined "Bank Stocks Reach New High Level," which includes the prediction that an even better year is ahead for them, better than their best year thus far.

I urge you as strongly as I can, not to change the tax structure of these mutual thrift institutions at this time.